

**ATLANTIC ACCEPTANCE CORPORATION LIMITED**  
**in Receivership**

**MONTREAL TRUST COMPANY,**  
**Receiver and Manager**

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 1971**

**PRICE WATERHOUSE & Co.**



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ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY- RECEIVER AND MANAGER)

FINANCIAL STATEMENTS - DECEMBER 31, 1971

INDEX

	<u>Pages</u>
Atlantic Acceptance Corporation Limited - In Receivership:	
Combined financial statements	1 to 10
Financial statements	11 to 19
 The Premier Finance Corporation Limited - In Receivership:	
Financial statements	20 to 22
 Adelaide Acceptance Limited:	
Financial statements	23 to 27
 Atlantic Acceptance (Toronto) Limited:	
Financial statements	28 to 30
 Commodore Factors Limited:	
Financial statements	31 to 34
 Lucayan Beach Hotel and Development Limited:	
Financial statements	35 to 39





# Price Waterhouse & Co.

chartered accountants

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April 27, 1972

## AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of  
Atlantic Acceptance Corporation Limited:

We have examined the Combined Statement of Deficiency in Net Assets of Atlantic Acceptance Corporation Limited - In Receivership as at December 31, 1971, the Combined Statement of Deficit as at June 17, 1965, the date when the Company went into receivership, as adjusted to December 31, 1971, the Combined Statement of Deficit for the period from June 18, 1965 to December 31, 1971 while the operations of the Company were under the control of the Receiver and Manager, and the Combined Statement of Loss for the year ended December 31, 1971. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Combined Statement of Deficiency in Net Assets are stated at estimated realizable values.

In our opinion these combined financial statements present fairly the deficiency in the net assets as at December 31, 1971 and the changes in the deficit accounts and the loss for the year then ended.

*Price Waterhouse & Co.*

Chartered Accountants

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF DEFICIENCY IN NET ASSETS

(See Note 1 for basis of preparation of combined financial statements)

	<u>December 31</u> <u>1971</u>	<u>1970</u>
Assets under the control of the Receiver and Manager:		
Cash	\$ 375,861	\$ 1,011,768
Short-term investments, maturing within one year, at cost plus accrued interest (including \$2,473,543 (U.S. \$2,468,183) in 1971 and \$51,052,614 (U.S. \$50,484,661) in 1970 payable in United States dollars)-		
Deposit receipts of Canadian chartered banks	2,473,543	52,269,307
Deposit receipts and guaranteed investment certificates of Canadian trust companies	2,820,052	48,441,084
Hydro-electric commission notes, guaranteed by the Province of Ontario	<u>-</u>	<u>4,026,545</u>
	5,293,595	104,736,936
Long-term receivable (Note 2)	9,524,517	10,870,414
Estimated amounts due in respect of sale of interest in former subsidiary companies (Note 3)	1,690,091	1,974,106
Estimated income taxes recoverable	165,127	214,177
Notes and accounts receivable, at estimated realizable value	37,473	206,662
Fixed assets, at nominal value	<u>-</u>	<u>2</u>
Forward	\$ 17,086,664	\$119,014,065



	<u>December 31</u>	
	<u>1971</u>	<u>1970</u>
Forward	\$ 17,086,664	\$119,014,065
Deduct:		
Accounts payable and accrued liabilities	751,559	669,936
Estimated interest of minority shareholders in Lucayan Beach Hotel and Development Limited (Note 1)	<u>188,000</u>	<u>225,000</u>
	<u>939,559</u>	<u>894,936</u>
Estimated realizable value of net assets under the control of the Receiver and Manager	16,147,105	118,119,129
Deduct: Senior debt (Notes 4 and 5)	<u>42,128,261</u>	<u>142,437,468</u>
Deficiency in net assets to meet senior debt outstanding	25,981,156	24,318,339
Other liabilities (Note 4):		
Subordinated debt		21,504,763
Junior subordinated debt		5,589,018
Accounts payable and accrued liabilities as at June 17, 1965	10,630	75,523
Dividends payable	<u>10,630</u>	<u>249,430</u>
	<u>10,630</u>	<u>27,418,734</u>
Deficiency in net assets	<u>\$ 25,991,786</u>	<u>\$ 51,737,073</u>
Represented by:		
Capital stock	\$ 14,455,087	\$ 14,455,087
Deficit-		
As at June 17, 1965 as adjusted to end of year	30,705,399	57,643,416
For the period from June 18, 1965 to end of year	<u>9,741,474</u>	<u>8,548,744</u>
	<u>(40,446,873)</u>	<u>(66,192,160)</u>
	<u>\$ 25,991,786</u>	<u>\$ 51,737,073</u>

## ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF DEFICIT  
AS AT JUNE 17, 1965,  
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,  
AS ADJUSTED TO DECEMBER 31, 1971

	<u>Year ended December 31</u>	
	<u>1971</u>	<u>1970</u>
Balance at June 17, 1965 as adjusted to beginning of year	\$57,643,416	\$61,147,995
Deduct: Adjustments during the year relating to the assets and liabilities at June 17, 1965:		
Adjustment in respect of settlement with unsecured creditors, after recognition of additional unsecured indebtedness of \$615,046 in 1971 (Note 4)	27,380,261	-
Amounts received (or estimated to be received) from collections of notes and accounts receivable in excess of their estimated realizable value at beginning of year	810,241	618,208
Increase in estimated income taxes recoverable	8,430	125,494
Net adjustment of foreign exchange on assets and liabilities in United States dollars arising in 1970 as a consequence of the Canadian government's abandonment of an established rate of exchange	-	2,518,500
Amounts recovered on notes and accounts receivable previously written off as uncollectible	-	245,190
Adjustment arising as at January 1, 1970 from combining the assets and liabilities of Lucayan Beach Hotel and Development Limited	-	90,506
	<u>28,198,932</u>	<u>3,597,898</u>
	29,444,484	57,550,097
Add:		
Legal expenses of the Receivership, including \$758,217 in 1971 in respect of costs incurred by the defendants in the action referred to in Note 4	860,915	43,319
Payment pursuant to the Compromise or Arrangement under the Companies' Creditors Arrangement Act (Note 4)	350,000	-
Interim award of compensation to the Receiver and Manager (Note 7)	50,000	50,000
	<u>1,260,915</u>	<u>93,319</u>
Deficit at June 17, 1965 as adjusted to end of year	<u>\$30,705,399</u>	<u>\$57,643,416</u>

COMBINED STATEMENT OF DEFICIT  
FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1971  
WHILE THE OPERATIONS OF THE COMPANIES WERE UNDER THE CONTROL  
OF THE RECEIVER AND MANAGER

	<u>Year ended December 31</u>	
	<u>1971</u>	<u>1970</u>
Deficit from June 18, 1965 to beginning of year	\$ 8,548,744	\$ 8,938,820
Add (deduct): Loss (income) for the year	<u>1,192,730</u>	<u>(390,076)</u>
Deficit at end of year	<u>\$ 9,741,474</u>	<u>\$ 8,548,744</u>

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP  
(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF LOSS

	<u>Year ended December 31</u>	
	<u>1971</u>	<u>1970</u>
Operating income:		
Interest on short-term investments	\$5,073,865	\$8,029,780
Interest on long-term receivable	881,465	931,965
Interest on 6% Capital Notes of General Acceptance Corporation	-	109,238
Other interest	<u>1,313</u>	<u>8,044</u>
	5,956,643	9,079,027
Operating expenses:		
Audit	27,016	25,710
Collection expenses	3,733	43,623
Management fees to G.A.C. International Acceptance Corporation Limited	7,554	25,000
Other expenses	<u>40,183</u>	<u>85,898</u>
	78,486	180,231
Foreign exchange	<u>(189,140)</u>	<u>(58,433)</u>
	(110,654)	121,798
Excess of operating income over operating expenses before interest on notes	6,067,297	8,957,229
Interest on notes:		
Senior debt-		
Bank advances	313,503	416,925
Short-term	2,489,812	2,471,823
Medium-term	225,558	260,956
Long-term	3,232,243	3,483,055
Subordinated debt	779,304	992,464
Junior subordinated debt	<u>201,607</u>	<u>256,341</u>
	7,242,027	7,881,564
	1,174,730	(1,075,665)
Estimated interest of minority shareholders in income of Lucayan Beach Hotel and Development Limited (Note 1)	<u>18,000</u>	<u>15,500</u>
Loss (income) before the undernoted adjustment	1,192,730	(1,060,165)
Adjustment in respect of prior years:		
Interest to December 31, 1969 not previously accrued on redemption premium on senior and subordinated debt	<u>-</u>	<u>670,089</u>
Loss (income) for the year	<u>\$1,192,730</u>	<u>\$ (390,076)</u>



ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 1971

1. Basis of preparation of combined financial statements:

The Combined Statement of Deficiency in Net Assets as at December 31, 1971 includes:

- (a) the assets under the direct control of the Receiver and Manager originating from Atlantic Acceptance Corporation Limited and The Premier Finance Corporation Limited, both of which are in receivership;
- (b) the assets of Adelaide Acceptance Limited, Atlantic Acceptance (Toronto) Limited and Commodore Factors Limited, wholly-owned subsidiaries which are not in receivership but are under the control of the Receiver and Manager; and
- (c) the assets of the partly-owned subsidiary, Lucayan Beach Hotel and Development Limited.

The assets in the combined financial statements are stated at estimated realizable values and there have been deducted therefrom the accounts payable and accrued liabilities in respect of the two receiverships and the above subsidiaries not in receivership, and the minority interest in Lucayan, to arrive at the estimated realizable value of the net assets under the control of the Receiver and Manager which are available for creditors.

The Combined Statement of Deficit as at June 17, 1965 reflects the results of operations to June 17, 1965 with subsequent adjustments to December 31, 1971 primarily to adjust the assets and liabilities at June 17, 1965 to their estimated realizable values, and the Combined Statement of Deficit for the period from June 18, 1965 to December 31, 1971 reflects the cumulative results of operations carried out by or under the direction of the Receiver and Manager, in respect of the assets of the companies in the Atlantic group during that period.

The results of operations for the year ended December 31, 1971 are set out in the Combined Statement of Loss.

In combining the financial statements as described above, all intergroup assets and liabilities and income and expenses have been eliminated.

All balances are stated in Canadian dollars with translations into Canadian dollars at the rate of exchange (Canadian \$100 equals United States \$99.78) as at December 31, 1971.

2. Long-term receivable:

The long-term receivable of \$9,524,517 (U.S.\$9,503,728) is payable over a period of thirteen years to 1984 and arose upon the sale in 1969 by Lucayan Beach Hotel and Development Limited of all its properties and its interest in subsidiary companies for U.S. \$12,600,000. As security, Lucayan received a bank's unconditional letter of credit guaranteeing the payment of 9% promissory notes in the amount of U.S. \$2,600,000, and a 9% debenture in the amount of U.S. \$9,000,000 having a first fixed and floating charge on the properties both present and future of the purchaser, including the properties purchased from Lucayan.

A promissory note in the amount of U.S. \$800,000 fell due and was paid in January 1972.

3. Estimated amounts due in respect of sale of interest in former subsidiary companies:

The following amounts are estimated to be recoverable arising out of the sale of former subsidiary companies:

	<u>1971</u>	<u>1970</u>
Estimated realizable value of the remaining net assets of Commodore Sales Acceptance Limited	\$1,005,091	\$1,936,884
Estimated amount receivable from General Acceptance Corporation in respect of the sale of the shares of Atlantic Finance Corporation Limited	685,000	-
Realizable value of certain notes receivable of Atlantic Finance Corporation Limited	<u>-</u>	<u>37,222</u>
	<u>\$1,690,091</u>	<u>\$1,974,106</u>

4. Payments to holders of senior notes and unsecured creditors:

On September 28, 1971 the Supreme Court of Ontario pursuant to the Companies' Creditors Arrangement Act (Canada) made an order sanctioning a Compromise or Arrangement which had been approved at meetings of the holders of senior notes and unsecured creditors. This Compromise or Arrangement settled the action which had been commenced by Connecticut General Life Insurance Company to set aside the security for the senior notes issued after August 17, 1964.



Pursuant to the Compromise or Arrangement, the following amounts were paid by the Company, except for \$116,845 in respect of unsecured creditors which was unpaid at December 31, 1971 and is included in accounts payable in the statement of deficiency in net assets:

To the T. Eaton Life Assurance Company, The Trustees of the Eaton Retirement Annuity Plan and Connecticut General Life Insurance Company as holders of senior notes in the aggregate principal amount of Canadian \$2,722,000 and United States \$1,000,000	\$1,300,000
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To the unsecured creditors an amount equal to 5% of the amount of the indebtedness owing to them and arising out of an obligation in existence on June 17, 1965 other than indebtedness consisting of premium or of interest where the regular date for payment of such interest arose subsequent to June 17, 1965, in full satisfaction of indebtedness to them including all unpaid interest or premium thereon	\$1,021,641
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To Connecticut General Life Insurance Company in respect of the costs and disbursements incurred by it in respect of the action referred to above	\$ 350,000
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The Company also paid \$104,708,371 to the holders of senior notes, being 100% of the principal amount of their senior notes less bank deposits of \$956,372 seized on June 17, 1965 by the depositaries and offset against bank advances and short-term notes which formed part of the senior debt of the Company.

5. Senior debt:

As described in Note 4, the holders of senior notes were paid the principal amount of their senior notes during 1971. The accrued interest and redemption premium payable at December 31, 1971 in respect of the various classes of the senior notes is set out below:

Accrued interest on short and medium-term notes:

Bank advances, secured by short-term notes-		
Payable in Canadian dollars	\$ 886,083	
Payable in United States dollars	<u>1,739,661</u>	\$ 2,625,744

Short-term notes-		
Payable in Canadian dollars	10,954,923	
Payable in United States dollars	<u>5,195,225</u>	<u>16,150,148</u>

Carried forward	18,775,892
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Brought forward		\$18,775,892	
Medium-term notes-			
Payable in Canadian dollars			
5%	32,110		
5 3/8%	50,922		
5 7/8%	262,892		
Payable in United States dollars			
5%	674,576		
5 1/4%	709,112		
		<u>1,729,612</u>	
			20,505,504
Accrued interest and redemption premium on long-term notes:			
Accrued interest-			
Payable in Canadian dollars			
Series B 6 1/2%	338,595		
Series C 5 3/4%	61,702		
Series D 5 3/4%	41,134		
Series E 6 1/4%	60,163		
Series F 6 1/4%	15,040		
Series G 6 1/4%	15,040		
Series H 6%	78,007		
Series I 6%	579,729		
Series O 6 1/8%	809,511		
Payable in United States dollars			
Series A 6 1/2%	1,954,073		
Series J 6%	1,086,797		
Series K 6%	724,526		
Series L 6%	901,122		
Series M 6%	1,262,191		
Series N 5 3/4%	3,689,140		
Series P 6%	772,646		
Series Q 6%	4,438,549		
Series R 5 7/8%	2,776,646		
		<u>19,604,611</u>	
Redemption premium		<u>2,018,146</u>	
			<u>21,622,757</u>
			<u>\$42,128,261</u>

#### 6. Capital taxes:

The Company has been assessed capital taxes by the Province of Ontario for the years from 1961 through 1969 which have almost wholly offset income taxes of approximately \$170,000 recoverable in respect of the years from 1961 through 1965. The Company has objected to these assessments and, if not successful, it intends to appeal to the Supreme Court of Ontario.

If the 1970 and 1971 taxation years are assessed on the same basis and if the Company's objection and/or appeal is not successful, capital taxes of about \$60,000 will be payable as at December 31, 1971. No provision has been made for these additional taxes.

7. Compensation of the Receiver and Manager:

To December 31, 1971 the Court has approved the payment of five interim awards of compensation aggregating \$3,325,000 to the Receiver and Manager covering services rendered to September 30, 1971. No provision has been made for any further compensation to the Receiver and Manager.

# Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto 111 Ont. (416) 863-1133 Telex 02-2246

April 27, 1972

## AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of  
Atlantic Acceptance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of Atlantic Acceptance Corporation Limited - In Receivership as at December 31, 1971, the Statement of Deficit as at June 17, 1965, the date when the Company went into receivership, as adjusted to December 31, 1971, the Statement of Deficit for the period from June 18, 1965 to December 31, 1971 while the operations of the Company were under the control of the Receiver and Manager, and the Statement of Loss for the year ended December 31, 1971. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Statement of Deficiency in Net Assets are stated at estimated realizable values.

In our opinion these financial statements present fairly the deficiency in the net assets as at December 31, 1971 and the changes in the deficit accounts and the loss for the year then ended.

*Price Waterhouse & Co.*  
Chartered Accountants

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS  
AS AT DECEMBER 31, 1971

Assets under the control of the Receiver and Manager:

Cash		\$ 203,979
Short-term investments, maturing within one year, at cost plus accrued interest (including \$2,473,543 (U.S. \$2,468,183) payable in United States dollars)-		
Deposit receipts of Canadian chartered banks	\$ 2,473,543	
Deposit receipts and guaranteed investment certificates of Canadian trust companies	<u>2,820,052</u>	
		5,293,595
Investment in and advances to Lucayan Beach Hotel and Development Limited (Note 2)		6,906,289
Estimated realizable value of advances to subsidiary and former subsidiary companies (Note 3)		<u>3,369,986</u>
		15,773,849
Deduct: Accounts payable and accrued liabilities		<u>222,539</u>
Estimated realizable value of net assets under the control of the Receiver and Manager		15,551,310
Deduct: Accrued interest and redemption premium payable on senior debt (Notes 4 and 5)		<u>42,128,261</u>
Deficiency in net assets		<u><u>\$26,576,951</u></u>

Represented by:

Capital stock		\$14,455,087
Deficit-		
As at June 17, 1965 as adjusted to December 31, 1971	\$30,708,631	
For the period from June 18, 1965 to December 31, 1971	<u>10,323,407</u>	
		<u>41,032,038</u>
		<u><u>\$26,576,951</u></u>



ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIT  
AS AT JUNE 17, 1965,  
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,  
AS ADJUSTED TO DECEMBER 31, 1971

Balance at June 17, 1965 as adjusted to December 31, 1970		\$57,755,457
Deduct (add): Adjustments during the year relating to the assets and liabilities at June 17, 1965:		
Adjustment in respect of settlement with unsecured creditors, after recognition of additional unsecured indebtedness of \$615,046 in 1971 (Note 4)	\$27,380,261	
Amounts received (or estimated to be received) from advances to subsidiary and former subsidiary companies in excess of their estimated realizable value at beginning of year	976,442	
Decrease in estimated income taxes recoverable (Note 6)	(48,962)	
		<u>28,307,741</u>
		29,447,716
Add:		
Legal expenses of the Receivership, including \$758,217 in respect of costs incurred by the defendants in the action referred to in Note 4	860,915	
Payment pursuant to the Compromise or Arrangement under the Companies' Creditors Arrangement Act (Note 4)	350,000	
Fifth interim award of compensation in 1971 to the Receiver and Manager (Note 7)	<u>50,000</u>	
		<u>1,260,915</u>
Deficit at June 17, 1965 as adjusted to December 31, 1971		<u><u>\$30,708,631</u></u>

STATEMENT OF DEFICIT  
FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1971  
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL  
OF THE RECEIVER AND MANAGER

Deficit from June 18, 1965 to December 31, 1970	\$ 8,775,627
Add: Loss for the year	<u>1,547,780</u>
Deficit at December 31, 1971	<u><u>\$10,323,407</u></u>

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF LOSS  
FOR THE YEAR ENDED DECEMBER 31, 1971

Operating income:		
Interest on short-term investments		\$5,073,865
Interest on advances to-		
Lucayan Beach Hotel and Development Limited	\$ 490,721	
Standard Discount Corporation Limited	<u>1,011</u>	
		<u>491,732</u>
		5,565,597
Operating expenses:		
Audit	27,016	
Collection expenses	3,399	
Management fees to G.A.C. International		
Acceptance Corporation Limited	7,554	
Other expenses	<u>21,607</u>	
	59,576	
Foreign exchange	<u>(188,617)</u>	
		<u>(129,041)</u>
Excess of operating income over operating expenses before interest on notes		5,694,638
Interest on notes:		
Senior debt-		
Bank advances	313,503	
Short-term	2,489,812	
Medium-term	225,558	
Long-term	3,232,243	
Subordinated debt	779,304	
Junior subordinated debt	<u>201,607</u>	
		<u>7,242,027</u>
		(1,547,389)
Interest charged on advances to wholly-owned subsidiary companies	1,126,074	
Less: Provision for the net loss of these companies for the year ended December 31, 1971	<u>1,126,465</u>	
		<u>(391)</u>
Loss for the year		<u><u>\$1,547,780</u></u>

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1971

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets and the business and assets of its wholly-owned subsidiaries are being liquidated. As a consequence the assets in the financial statements are stated at estimated realizable values.

In the attached statements, all balances are stated in Canadian dollars with translations into Canadian dollars at the rate of exchange (Canadian \$100 equals United States \$99.78) as at December 31, 1971.

2. Lucayan Beach Hotel and Development Limited:

Changes in the investment in Lucayan during 1971 were as follows:

Balance at December 31, 1970		\$8,430,555
Add: Value attributed to shares of Lucayan received as a distribution of certain assets of Commodore Sales Acceptance Limited		<u>12,325</u>
		8,442,880
Deduct:		
Repayment of advances (net) (U.S. \$1,475,315)	\$1,492,628	
Foreign exchange adjustment	<u>43,963</u>	
		<u>1,536,591</u>
Balance at December 31, 1971		<u><u>\$6,906,289</u></u>
Allocated as follows:		
	<u>U.S.</u>	<u>Canadian</u>
Advances to assist Lucayan in meeting its current obligations	\$3,324,256	\$3,331,527
Debentures purchased, shown at their face amount	<u>1,800,000</u>	<u>1,803,938</u>
	<u>\$5,124,256</u>	5,135,465
Balance allocated to the holding of 63.1% of the outstanding shares of Lucayan		<u>1,770,824</u>
		<u><u>\$6,906,289</u></u>

The Receiver and Manager also controls a further 30.7% of the outstanding shares of Lucayan and debentures issued by it in the face amount of U.S. \$600,000. The estimated realizable value of these securities, amounting to approximately \$1,468,000, is included in the estimated realizable value of the remaining net assets of Commodore Sales Acceptance Limited (Note 3).

In October 1969 Lucayan sold all of its properties and its interest in subsidiary companies for a gross consideration of U.S. \$12,600,000, of which \$1,000,000 was received on closing in December 1969 with the balance payable over a period of fifteen years to 1984. As security Lucayan received a bank's unconditional letter of credit guaranteeing the payment of 9% promissory notes in the amount of U.S. \$2,600,000, and a 9% debenture in the amount of U.S. \$9,000,000 having a first fixed and floating charge on the properties both present and future of the purchaser, including the properties purchased from Lucayan. The promissory notes in the amount of U.S. \$2,600,000 have been paid on their due dates (including U.S. \$800,000 in January 1972), and the blended payments of principal and interest are also being made in accordance with the terms of the 9% debenture.

The indicated value of Lucayan's net assets as shown by its audited financial statements as at December 31, 1971 exceeds the carrying value of the total Lucayan investment in the accounts at December 31, 1971 by approximately \$590,000.

### 3. Advances to subsidiary and former subsidiary companies:

The following amounts are estimated to be recoverable arising out of advances to subsidiary and former subsidiary companies:

Subsidiary companies-	
Adelaide Acceptance Limited	\$ 29,526
Atlantic Acceptance (Toronto) Limited	(50)
Commodore Factors Limited	30,543
The Premier Finance Corporation Limited - In Receivership	151,751
Former subsidiary companies-	
Commodore Sales Acceptance Limited	2,473,216
Atlantic Finance Corporation Limited	<u>685,000</u>
	<u>\$3,369,986</u>

The approximate values of the underlying assets supporting these balances are shown below:

Cash and short-term investments, primarily in the hands of trustees of bankrupt estates	\$ 464,000
Shares and debentures of Lucayan Beach Hotel and Development Limited (Note 2)	1,468,000
Receivable from General Acceptance Corporation in respect of the sale of the shares of Atlantic Finance Corporation Limited	685,000
Mortgages receivable, primarily due in 1973	369,000
Estimated income taxes recoverable	192,000
Other assets	<u>191,986</u>
	<u>\$3,369,986</u>

4. Payments to holders of senior notes and unsecured creditors:

On September 28, 1971 the Supreme Court of Ontario pursuant to the Companies' Creditors Arrangement Act (Canada) made an order sanctioning a Compromise or Arrangement which had been approved at meetings of the holders of senior notes and unsecured creditors. This Compromise or Arrangement settled the action which had been commenced by Connecticut General Life Insurance Company to set aside the security for the senior notes issued after August 17, 1964.

Pursuant to the Compromise or Arrangement, the following amounts were paid by the Company, except for \$116,845 in respect of unsecured creditors which was unpaid at December 31, 1971 and is included in accounts payable in the statement of deficiency in net assets:

To The T. Eaton Life Assurance Company, The Trustees of the Eaton Retirement Annuity Plan and Connecticut General Life Insurance Company as holders of senior notes in the aggregate principal amount of Canadian \$2,722,000 and United States \$1,000,000	\$1,300,000
--	-------------

To the unsecured creditors an amount equal to 5% of the amount of the indebtedness owing to them and arising out of an obligation in existence on June 17, 1965 other than indebtedness consisting of premium or of interest where the regular date for payment of such interest arose subsequent to June 17, 1965, in full satisfaction of indebtedness to them including all unpaid interest or premium thereon	\$1,021,641
--	-------------

To Connecticut General Life Insurance Company in respect of the costs and disbursements incurred by it in respect of the action referred to above	\$ 350,000
--	------------

The Company also paid \$104,708,371 to the holders of senior notes, being 100% of the principal amount of their senior notes less bank deposits of \$956,372 seized on June 17, 1965 by the depositaries and offset against bank advances and short-term notes which formed part of the senior debt of the Company.

5. Accrued interest and redemption premium payable on senior debt:

As described in Note 4, the holders of senior notes were paid the principal amount of their senior notes during 1971. The accrued interest and redemption



premium payable at December 31, 1971 in respect of the various classes of the senior notes is set out below:

Accrued interest on short and medium-term notes:

Bank advances, secured by short-term notes-

Payable in Canadian dollars	\$ 886,083	
Payable in United States dollars	<u>1,739,661</u>	\$ 2,625,744

Short-term notes-

Payable in Canadian dollars	10,954,923	
Payable in United States dollars	<u>5,195,225</u>	16,150,148

Medium-term notes-

Payable in Canadian dollars		
5%	32,110	
5 3/8%	50,922	
5 7/8%	262,892	
Payable in United States dollars		
5%	674,576	
5 1/4%	<u>709,112</u>	
		<u>1,729,612</u>
		20,505,504

Accrued interest and redemption premium on long-term notes:

Accrued interest-

Payable in Canadian dollars		
Series B 6 1/2%	338,595	
Series C 5 3/4%	61,702	
Series D 5 3/4%	41,134	
Series E 6 1/4%	60,163	
Series F 6 1/4%	15,040	
Series G 6 1/4%	15,040	
Series H 6%	78,007	
Series I 6%	579,729	
Series O 6 1/8%	809,511	

Payable in United States dollars

Series A 6 1/2%	1,954,073	
Series J 6%	1,086,797	
Series K 6%	724,526	
Series L 6%	901,122	
Series M 6%	1,262,191	
Series N 5 3/4%	3,689,140	
Series P 6%	772,646	
Series Q 6%	4,438,549	
Series R 5 7/8%	<u>2,776,646</u>	

	19,604,611	
Redemption premium	<u>2,018,146</u>	

21,622,757  
\$42,128,261

6. Capital taxes:

The Company has been assessed capital taxes by the Province of Ontario for the years from 1961 through 1969 which have almost wholly offset income taxes of approximately \$170,000 recoverable in respect of the years from 1961 through 1965. The Company has objected to these assessments and, if not successful, it intends to appeal to the Supreme Court of Ontario.

If the 1970 and 1971 taxation years are assessed on the same basis and if the Company's objection and/or appeal is not successful, capital taxes of about \$60,000 will be payable as at December 31, 1971. No provision has been made for these additional taxes.

7. Compensation of the Receiver and Manager:

To December 31, 1971 the Court has approved the payment of five interim awards of compensation aggregating \$3,325,000 to the Receiver and Manager covering services rendered to September 30, 1971. No provision has been made for any further compensation to the Receiver and Manager.

# Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto 111 Ont. (416) 863-1133 Telex 02-2246

April 27, 1972

## AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of  
The Premier Finance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of The Premier Finance Corporation Limited - In Receivership (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1971, in which is incorporated a Statement of Deficit for the period from June 18, 1965 to December 31, 1971 while the operations of the Company were under the control of the Receiver and Manager, and the Statement of Loss for the year ended December 31, 1971. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in the note to the Statement of Deficiency in Net Assets, the Company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Statement of Deficiency in Net Assets at estimated realizable values.

In our opinion these financial statements present fairly the deficiency in net assets of the Company as at December 31, 1971, the changes in the deficit accounts for the year then ended and the loss for the year.

*Price Waterhouse & Co.*  
Chartered Accountants

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY- RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS  
AS AT DECEMBER 31, 1971

Assets under the control of the Receiver and Manager (Note):

Cash	\$ 25
Estimated income taxes recoverable	<u>151,726</u>

Estimated realizable value of assets under the control of the Receiver and Manager available for creditors as of June 17, 1965	151,751
--	---------

Deduct: Advances from Atlantic Acceptance Corporation Limited	<u>2,664,577</u>
--	------------------

Deficiency in net assets to meet outstanding advances from Atlantic Acceptance Corporation Limited	2,512,826
--	-----------

Add: Other accounts payable and accrued liabilities	<u>10,630</u>
---	---------------

Deficiency in net assets	<u><u>\$2,523,456</u></u>
--------------------------	---------------------------

Represented by:

Capital stock	\$ 185,618
Deficit-	

As at June 17, 1965, the date when Atlantic  
Acceptance Corporation Limited went into  
receivership, as adjusted to December 31,  
1971 (no change during the year) \$1,499,404

For the period from June 18, 1965 to  
December 31, 1971 while the operations of  
the Company were under the control of the  
Receiver and Manager:

Balance as at December 31, 1970	\$1,040,985
Add: Loss for the year	<u>168,685</u>

Balance as at December 31, 1971	<u>1,209,670</u>	(2,709,074)
		<u><u>\$2,523,456</u></u>

Note:

Atlantic Acceptance Corporation Limited has been in receivership since  
June 17, 1965, and this has enabled the Receiver and Manager of Atlantic  
Acceptance to control the operations of The Premier Finance Corporation  
Limited, a wholly-owned subsidiary, whose property and assets were charged  
as security for the senior debt of the parent company. The assets of  
Premier Finance, which are stated at estimated realizable values, are  
being liquidated in satisfaction of this charge.

To assist in orderly liquidation, Montreal Trust Company was appointed  
Receiver and Manager of Premier Finance on July 29, 1965 under an order  
issued by the Supreme Court of Ontario.

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP  
(MONTREAL TRUST COMPANY- RECEIVER AND MANAGER)

STATEMENT OF LOSS  
FOR THE YEAR ENDED DECEMBER 31, 1971  
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER  
THE CONTROL OF THE RECEIVER AND MANAGER

Expenses:	
Capital tax	\$ 303
Collection expenses	334
Miscellaneous	6
Postage	18
Printing, stationery and supplies	42
Rent	21
Salaries	253
Telephone and telegraph	<u>82</u>
Expenses before interest charges	1,059
Interest on advances from Atlantic Acceptance Corporation Limited	<u>167,626</u>
Loss for the year	<u><u>\$168,685</u></u>



# Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto 111 Ont. (416) 863-1133 Telex 02-2246

April 27, 1972

## AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of  
Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Adelaide Acceptance Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1971, the Statement of Deficit as at June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, as adjusted to December 31, 1971, the Statement of Deficit for the period from June 18, 1965 to December 31, 1971 while the operations of the Company were under the control of the Receiver and Manager of the parent company, and the Statement of Loss for the year ended December 31, 1971. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the Company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Balance Sheet at estimated realizable values.

The estimated realizable value of notes receivable has been carefully determined in the light of current conditions. However, because of the uncertainties arising from the liquidation of the receivables, the actual amount realized may be greater or less than the estimated value recorded in the accounts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion these financial statements present fairly the financial position of the Company as at December 31, 1971, the changes in the deficit accounts for the year then ended and the loss for the year.

*Price Waterhouse & Co.*

Chartered Accountants

ADELAIDE ACCEPTANCE LIMITED  
(a wholly-owned subsidiary of  
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1971

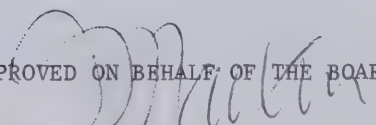
ASSETS


Cash	\$ 5,646
Notes receivable, at estimated realizable value (Note 2)	10,479
Estimated income taxes recoverable	<u>13,401</u>
	<u>\$ 29,526</u>

LIABILITIES

Advances from Atlantic Acceptance Corporation Limited (Note 1)	\$ 5,053,869
Capital stock and deficit:	
Capital stock-	
Authorized-	
20,500 7% cumulative redeemable preference shares with a par value of \$10 each	
25,000 common shares of no par value	
Issued and fully paid-	
17,000 preference shares	\$ 170,000
10,103 common shares	<u>10,103</u>
	180,103
Deficit-	
As at June 17, 1965 as adjusted to December 31, 1971	\$3,375,967
For the period from June 18, 1965 to December 31, 1971	<u>1,828,479</u>
	<u>5,204,446</u>
	<u>(5,024,343)</u>
	<u>\$ 29,526</u>

APPROVED ON BEHALF OF THE BOARD:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

ADELAIDE ACCEPTANCE LIMITED

STATEMENT OF DEFICIT

AS AT JUNE 17, 1965, THE DATE WHEN THE PARENT COMPANY  
WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1971

Deficit at June 17, 1965 as adjusted to December 31, 1970	\$3,378,646
Deduct: Adjustments during the year relating to the notes receivable at June 17, 1965-	
Amounts received (or estimated to be received) from collections of notes receivable in excess of their estimated realizable value at December 31, 1970	<u>2,679</u>
Deficit at June 17, 1965 as adjusted to December 31, 1971	<u><u>\$3,375,967</u></u>

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1971  
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL  
OF THE RECEIVER AND MANAGER OF THE PARENT COMPANY

Deficit from June 18, 1965 to December 31, 1970	\$1,516,800
Add: Loss for the year ended December 31, 1971	<u>311,679</u>
Deficit as at December 31, 1971	<u><u>\$1,828,479</u></u>

ADELAIDE ACCEPTANCE LIMITED

STATEMENT OF LOSS  
FOR THE YEAR ENDED DECEMBER 31, 1971

Income:		
Interest	\$	264
Gain in foreign exchange		<u>4,739</u>
		5,003
Expenses:		
Capital taxes	\$50	
Bank charges	<u>2</u>	
		<u>52</u>
Excess of income over expenses before interest charges		4,951
Interest on advances from parent company		<u>316,630</u>
Loss for the year		<u><u>\$311,679</u></u>

ADELAIDE ACCEPTANCE LIMITED

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1971

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Adelaide Acceptance Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Adelaide Acceptance, which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of this charge.

In the attached statements, all balances are stated in Canadian dollars at the rate of exchange (Canadian \$100 equals U.S. \$99.78) as at December 31, 1971.

2. Notes receivable:

Most of the Company's debtors are in financial difficulties or in bankruptcy and every effort is being made to collect the outstanding accounts as quickly as is practicable in the circumstances.

The estimated realizable value of the receivables has been arrived at after making an allowance for losses which may be sustained on realization of the accounts. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.



# Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto 111 Ont. (416) 863-1133 Telex 02-2246

April 27, 1972

## AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of  
Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Atlantic Acceptance (Toronto) Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1971 in which is incorporated a Statement of Deficit for the period from June 18, 1965 to December 31, 1971 while the operations of the Company were under the control of the Receiver and Manager of the parent company, and the Statement of Loss for the year ended December 31, 1971. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1971, the changes in the deficit accounts for the year then ended and the loss for the year.

*Price Waterhouse & Co.*  
Chartered Accountants

ATLANTIC ACCEPTANCE (TORONTO) LIMITED  
(a wholly-owned subsidiary  
of Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1971

ASSETS

\$ Nil

LIABILITIES

Accrued liabilities	\$ 50
Advances from Atlantic Acceptance Corporation Limited	<u>231,714</u>
	231,764

Capital stock and deficit:

Capital stock-

Authorized-

40,000 shares without par value

Issued and fully paid-

3 shares

\$ 3

Deficit-

As at June 17, 1965, the date when the parent company went into receivership, as adjusted to December 31, 1971 (no change during the year)

\$125,638

For the period from June 18, 1965 to December 31, 1971 while the operations of the Company were under the control of the Receiver and Manager of the parent Company:

Balance as at December 31, 1970 \$91,529

Add: Loss for the year 14,600

Balance as at December 31, 1971 106,129

231,767

(231,764)

\$ Nil

Note: Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Atlantic Acceptance (Toronto) Limited, a wholly-owned subsidiary. Liquidation of the Company's assets in satisfaction of the advances from the parent company was completed in 1971.

APPROVED ON BEHALF OF THE BOARD:

[Signature] Director

W. S. Deshauness Director

ATLANTIC ACCEPTANCE (TORONTO) LIMITED

STATEMENT OF LOSS  
FOR THE YEAR ENDED DECEMBER 31, 1971

Interest income	\$ 38
Miscellaneous expense	<u>50</u>
Excess of expense over income before interest charges	12
Interest on advances from parent company	<u>14,588</u>
Loss for the year	<u><u>\$14,600</u></u>

# Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto 111 Ont. (416) 863-1133 Telex 02-2246

April 27, 1972

## AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of  
Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Commodore Factors Limited (whose shares are held by the Receiver and Manager of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1971, the Statement of Deficit as at June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, as adjusted to December 31, 1971, the Statement of Deficit for the period from June 18, 1965 to December 31, 1971 while the operations of the Company were under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited, and the Statement of Loss for the year ended December 31, 1971. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1971, the changes in the deficit accounts for the year then ended and the loss for the year.

*Price Waterhouse & Co.*  
Chartered Accountants

COMMODORE FACTORS LIMITED

BALANCE SHEET - DECEMBER 31, 1971  
(stated in United States dollars)

ASSETS

Cash	\$ 32,515
Notes receivable (fully collected in 1972)	<u>1,111</u>
	<u>\$ 33,626</u>

LIABILITIES

Accrued liabilities	\$ 3,151
Advances from Atlantic Acceptance Corporation Limited (Canadian \$9,977,070) (Note)	<u>9,955,061</u>
	9,958,212

Capital stock and deficit:

Capital stock-

Authorized- 200 shares without par value

Issued- 100 shares \$ 10,000

Deficit-

As at June 17, 1965 as adjusted

to December 31, 1971 \$6,343,886

For the period from June 18, 1965

to December 31, 1971 3,590,700

9,934,586

(9,924,586)

\$ 33,626

Note: Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Commodore Factors Limited whose property and assets were charged as security for the senior debt of Atlantic Acceptance. The assets of Commodore Factors are being liquidated in satisfaction of this charge.

APPROVED ON BEHALF OF THE BOARD:

[Signature] Director  
[Signature] Director



COMMODORE FACTORS LIMITED

STATEMENT OF DEFICIT

AS AT JUNE 17, 1965,

THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED  
WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1971  
(stated in United States dollars)

Deficit at June 17, 1965 as adjusted to December 31, 1970		\$6,403,375
Deduct: Adjustments during the year ended December 31, 1971 relating to the assets and liabilities at June 17, 1965-		
Recovery of income taxes	\$ 57,392	
Amounts received (or to be received) from collections of notes receivable in excess of their estimated realizable value at December 31, 1970	<u>2,097</u>	<u>59,489</u>
Deficit at June 17, 1965 as adjusted to December 31, 1971		<u><u>\$6,343,886</u></u>

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1971

WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL OF THE  
RECEIVER AND MANAGER OF ATLANTIC ACCEPTANCE CORPORATION LIMITED  
(stated in United States dollars)

Deficit from June 18, 1965 to December 31, 1970		\$2,881,495
Add: Loss for the year ended December 31, 1971		<u>709,205</u>
Deficit as at December 31, 1971		<u><u>\$3,590,700</u></u>

COMMODORE FACTORS LIMITED

STATEMENT OF LOSS  
FOR THE YEAR ENDED DECEMBER 31, 1971  
(stated in United States dollars)

Expenses:	
Loss in foreign exchange	\$ 83,297
Capital taxes	50
Miscellaneous	<u>4</u>
Expenses before interest charges	83,351
Interest on advances from Atlantic Acceptance Corporation Limited	<u>625,854</u>
Loss for the year	<u><u>\$709,205</u></u>

# PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

L CROPPER  
A H BRIGGS  
T GORMAN  
E C GRINDROD  
R O MOYLE

P.O. BOX F-2415  
MERCANTILE BANK BUILDING  
THE MALL  
FREEPORT · BAHAMAS  
CABLES PRICEWATER FREEPORTBAHAMAS  
TELEPHONE: 2-7801 (3 LINES)

## THE DIRECTORS AND SHAREHOLDERS LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

We have examined the accompanying balance sheets of Lucayan Beach Hotel and Development Limited and the related statements of income and deficit and of changes in financial position for the period from October 1, 1970 to December 31, 1971 and the year ended September 30, 1970. We have maintained the accounting records of the company for the period under review. We have also carried out such verification procedures and examined such other supporting evidence as we considered necessary in the circumstances.

In previous years the Company had not maintained detailed registers of property, plant and equipment and had valued certain land without independent appraisal and we were unable to verify the carrying costs of such items or their existence as it related to retirements, replacements and obsolescence. The land valuation reserve and other capital reserves were used in 1965 to re-organise the Share Capital of the Company and to write off initial operating losses. Further evidence available indicates that certain transactions entered into during 1965 relating to the acquisition of certain fixed assets were not on an arms length basis.

Accordingly we do not express an opinion on the financial statements taken as a whole, however, in our opinion all accounts other than those which may be affected by the above (which include share capital and net deficit) are presented fairly in conformity with generally accepted accounting principles.

*Price Waterhouse & Co*

Chartered Accountants

21 February, 1972  
Freeport, Bahamas.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

BALANCE SHEET  
(Stated in United States Dollars)

	<u>December 31, 1971</u>	<u>September 30, 1970</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 133,331	\$ 75,846
Accounts receivable	25,825	75,737
Current portion of long term receivables (Note 2)	<u>1,040,962</u>	<u>1,127,069</u>
	<u>1,200,118</u>	<u>1,278,652</u>
LONG TERM RECEIVABLES (less current portion) (Note 2)	<u>8,462,766</u>	<u>9,561,690</u>
	<u>\$ 9,662,884</u>	<u>\$10,840,342</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 524,664	\$ 636,013
LOANS (Note 3)	<u>6,063,566</u>	<u>7,482,437</u>
SHAREHOLDERS' EQUITY		
Share capital, authorised, issued and fully paid 10,000,000 shares of B\$.72¢ each	7,056,000	7,056,000
Deficit	<u>(3,981,346)</u>	<u>(4,334,108)</u>
	<u>3,074,654</u>	<u>2,721,892</u>
	<u>\$ 9,662,884</u>	<u>\$10,840,342</u>

The notes attached hereto form an integral part of this statement.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

STATEMENT OF INCOME AND DEFICIT  
(Stated in United States Dollars)

	Period from October 1, 1970 to <u>December 31, 1971</u>	Year ended September 30, <u>1970</u>
Interest income	\$ 1,113,390	\$ 931,786
Less: Interest expense	<u>733,106</u>	<u>687,991</u>
	380,284	243,795
Less: Administrative and general expenses	<u>27,522</u>	<u>15,319</u>
INCOME FOR THE PERIOD/YEAR, before extraordinary item	352,762	228,476
Loss on disposal of assets	<u>-</u>	<u>(396,139)</u>
NET INCOME (LOSS) FOR THE PERIOD/YEAR	352,762	(167,663)
DEFICIT AT BEGINNING OF PERIOD/YEAR	<u>(4,334,108)</u>	<u>(4,166,445)</u>
DEFICIT AT END OF PERIOD/YEAR	<u><u>\$(3,981,346)</u></u>	<u><u>\$(4,334,108)</u></u>
PER SHARE:		
INCOME, before extraordinary item	\$0.04	\$ 0.02
EXTRAORDINARY CHARGE	<u>-</u>	<u>(0.04)</u>
NET INCOME/(LOSS)	<u><u>\$0.04</u></u>	<u><u>\$(0.02)</u></u>

The notes attached hereto form an integral part of this statement.



LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION  
(Stated in United States Dollars)

	Period from October 1, 1970 to December 31, 1971	Year ended September 30, 1970
Financial resources were provided by:		
Net income (loss), being working capital provided by operations for the period/year	\$ 352,762	\$ (167,663)
Proceeds from sale of property	-	12,600,000
Decrease in long term receivables	1,098,924	1,246,377
	<u>1,451,686</u>	<u>13,678,714</u>
Financial resources were used for:		
Provision of long term finance to purchasers of property	-	10,700,000
Reduction of loans payable	1,418,871	1,569,910
Loss on sale of property provided for in prior period	-	416,157
	<u>1,418,871</u>	<u>12,686,067</u>
Increase in working capital for the period/year	<u>\$ 32,815</u>	<u>\$ 992,647</u>

Analysis of changes in working capital

Increase (decrease) in current assets:		
Cash	\$ 57,485	\$ 10,310
Accounts receivable	(49,912)	70,227
Current portion of long term receivables	(86,107)	1,089,044
	<u>(78,534)</u>	<u>1,169,581</u>
(Increase) decrease in current liabilities:		
Accounts payable	111,349	(176,934)
Increase in working capital for the period/year	<u>\$ 32,815</u>	<u>\$ 992,647</u>

The notes attached hereto form an integral part of this statement.

# LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - GENERAL

The Company, which is incorporated under the laws of the Commonwealth of the Bahama Islands, until September 30, 1969 owned the Lucayan Beach Hotel and ancilliary facilities in Freeport, Grand Bahama Island. Effective October 1, 1969 the Company sold all of its assets and its interest in its subsidiary companies for a gross consideration of \$12,600,000 a portion of which is still outstanding as described in Note 2 below.

### NOTE 2 - LONG TERM RECEIVABLES

	<u>December 31,</u> <u>1971</u>	<u>September 30,</u> <u>1970</u>
9% Promissory note - payable January, 1971	\$ -	\$ 900,000
9% Promissory note - payable January, 1972	800,000	800,000
9% Debenture payable over 20 years to 1989	8,647,101	8,875,019
8% Debenture payable in monthly instalments to May, 1973	<u>56,627</u>	<u>113,740</u>
	9,503,728	10,688,759
Less: Amounts due within one year	<u>1,040,962</u>	<u>1,127,069</u>
	<u>\$8,462,766</u>	<u>\$ 9,561,690</u>

The above promissory notes are secured by a bankers unconditional letter of credit and the 9% debenture is secured on all property, present and future of the purchaser and its subsidiaries at present, primarily the assets sold, as described in Note 1.

### NOTE 3 - LOANS

The Company has outstanding the following loans from the Receiver and Manager of Atlantic Acceptance Corporation Limited:

	<u>December 31,</u> <u>1971</u>	<u>September 30,</u> <u>1970</u>
Secured by Debentures with a floating charge on the assets of the company repayable on demand, bearing interest at 9% per year	\$6,063,566	\$7,217,900
Unsecured loans repayable on demand, bearing interest at 9% per year	<u>-</u>	<u>264,537</u>
	<u>\$6,063,566</u>	<u>\$7,482,437</u>







